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Corporate Governance Attestation Statement for Illawarra Shoalhaven Local Health District 1 July 2016 – 30 June 2017

Health

NSW GOVERNMENT | Health

CORPORATE GOVERNANCE ATTESTATION STATEMENT
Illawarra Shoalhaven Local Health District

The following corporate governance attestation statement was endorsed by a resolution of the Illawarra Shoalhaven Local Health District Board at its meeting on Monday 7 August 2017 on the basis that the Chief Executive has conducted all necessary enquiries and is not aware of any reason or matter why the Board cannot give the required attestation.

The Board is responsible for ensuring effective corporate governance frameworks are established for the Illawarra Shoalhaven Local Health District and not the day-to-day management of the Organisation. To this end, the Board is satisfied and has received assurances from the Chief Executive that the necessary processes are in place.

This statement sets out the main corporate governance frameworks and practices in operation within the organisation for the 2016-2017 financial year.

This attestation statement has been reviewed by Internal Audit to ensure the LHD has implemented and met all necessary requirements. Each section within the attestation statement is supported by relevant and complete documentation, which has been reviewed and signed off by the Chief Audit Executive.

A signed copy of this statement will be provided to the Ministry of Health by 31 August 2017.

Signed:

Clinical Professor Denis King OAM
Chairperson Date 28/8/17

30/8/17

Margot Mains
Chief Executive Date

Standard 1: ESTABLISH ROBUST GOVERNANCE AND OVERSIGHT FRAMEWORKS

Role and function of the Board and Chief Executive

The Board and Chief Executive carry out their functions, responsibilities and obligations in accordance with the *Health Services Act 1997* and the *Government Sector Employment Act 2013*.

The Board has approved systems and frameworks that ensure the primary responsibilities of the Board are fulfilled in relation to:

- Ensuring clinical and corporate governance responsibilities are clearly allocated and understood
- Setting the strategic direction for the organisation and its services
- Monitoring financial and service delivery performance
- Maintaining high standards of professional and ethical conduct
- Involving stakeholders in decisions that affect them
- Establishing sound audit and risk management practices.

Board meetings

For the 2016/2017 financial year the Board consisted of a Chair, Clinical Professor Denis King OAM, and twelve members appointed by the Minister for Health. The Board met ten times during this period.

Authority and role of senior management

All financial and administrative authorities have been appropriately delegated by the Chief Executive with approval of the Board and are formally documented within a Delegations Manual for the Organisation.

The roles and responsibilities of the Chief Executive and other senior management within the Organisation are also documented in written position descriptions.

Regulatory responsibilities and compliance

The Chief Executive is responsible for and has mechanisms in place to ensure that relevant legislation, regulations and relevant government policies and NSW Health policy directives are adhered to within all facilities and units of the Organisation, including statutory reporting requirements.

The Board has mechanisms in place to gain reasonable assurance that the Organisation complies with the requirements of relevant legislation, regulations and relevant government policies and NSW Health policy directives and policy and procedure manuals as issued by the Ministry of Health.

Standard 2: ENSURING CLINICAL RESPONSIBILITIES ARE CLEARLY ALLOCATED AND UNDERSTOOD

The Board has in place frameworks and systems for measuring and routinely reporting on the safety and quality of care provided to the communities the Organisation serves.

These systems and activities reflect the principles, performance and reporting guidelines as detailed in NSW Health policy directive *'Patient Safety and Clinical Quality Program'* (PD2005_608). The Principles underpinning the Patient Safety and Clinical Quality Program as outlined in the Clinical Excellence Commission Directions Statement are:

- Openness about failures
- Emphasis on learning
- Obligation to act
- Accountability
- Just culture
- Appropriate prioritisation of action
- Teamwork and information sharing

A Medical and Dental Appointments Advisory Committee is established to review the appointment or proposed appointment of all visiting practitioners and specialists. The Credentials Subcommittee provides advice to the Medical and Dental Appointment Advisory Committee on all matters concerning the scope of practice and clinical privileges of visiting practitioners or staff specialists.

An Aboriginal Health Advisory Committee is established, or clear lines of accountability are in place for clinical services delivered to Aboriginal people.

The Chief Executive has mechanisms in place to ensure that the relevant registration authority is informed where there are reasonable grounds to suspect professional misconduct or unsatisfactory professional conduct by any registered health professional employed or contracted by the Organisation.

Standard 3: SETTING THE STRATEGIC DIRECTION FOR THE ORGANISATION AND ITS SERVICES

The Board has in place strategic plans, such as a Local Health Services Plan, for the effective planning and delivery of its services to the communities and individuals served by the Organisation. This process includes setting a strategic direction for both the Organisation and the services it provides within the overarching goals and priorities of the *NSW State Health Plan*.

Organisational-wide planning processes and documentation is also in place, with a 3 to 5 year horizon, covering:

- **a** Asset management – Designing and building future-focused infrastructure
- **b** Information management and technology – Enabling eHealth
- **c** Research and teaching – Supporting and harnessing research and innovation
- **d** Workforce development – Supporting and developing our workforce
- **e** Aboriginal Health Action Plan – Ensuring health needs are met competently

Standard 4: MONITORING FINANCIAL AND SERVICE DELIVERY PERFORMANCE

Role of the board in relation to financial management and service delivery

The Organisation is responsible for ensuring compliance with the NSW Health Accounts and Audit Determination and the annual Ministry of Health budget allocation advice.

The Chief Executive is responsible for confirming the accuracy of information in the financial and performance reports provided to the Board and those submitted to the LHD Finance and Performance Committee and the Ministry of Health, and that relevant internal controls for the Organisation are in place to recognise, understand and manage its exposure to financial risk.

The Board has confirmed that the Organisation has in place systems to support the efficient, effective and economic operation of the LHD, to oversight financial and operational performance and assure itself financial and performance reports provided to it are accurate.

To this end, the Board and Chief Executive attest that:

1) The financial reports submitted to the Finance and Performance Committee and the Ministry of Health represent the Organisation's financial position and the operational results fairly and accurately, and are in accordance with generally accepted accounting principles.
2) The recurrent budget allocations in the Ministry of Health's financial year advice align with those allocations distributed to organisation units and cost centres.
3) It is assured overall financial performance is monitored and reported to the Finance and Performance Committee of the Organisation.
4) Information reported in the Ministry of Health monthly reports reconciles to and is consistent with reports to the Finance and Performance Committee.
5) It is assured all relevant financial controls are in place.
6) Creditor levels have conformed to Ministry of Health requirements for the majority of the year. A small number of creditors were paid outside of the Ministry requirements at times during the year.
7) Write-offs of debtors have been approved by duly authorised delegated officers, as reported by the Executive Director of Finance and Corporate Services.
8) The Public Health Organisation General Fund has exceeded the Ministry of Health approved net cost of services allocation, as stated in the Organisation's service agreement. (See qualification commentary)
9) It is assured the Organisation did not incur any unfunded liabilities during the financial year.

10) The Executive Director Finance and Corporate Services has reviewed the internal liquidity management controls and practices and they meet Ministry of Health requirements.

The Internal Auditor reviews the above ten points on a regular and planned basis.

Service and Performance agreements

A written service agreement was in place during the financial year between the Board and the Secretary, NSW Health, and performance agreements between the Board and the Chief Executive, and the Chief Executive and all Health Executive Service Members employed within the organisation.

The Board has mechanisms in place to monitor the progress of matters contained within the Service Agreement and to regularly review performance against agreements between the Board and the Chief Executive.

The Finance and Performance Committee

The Board has established a Finance and Performance Committee to assist the Board and the Chief Executive to ensure that the operating funds, capital works funds, resource utilisation and service outputs required of the organisation are being managed in an appropriate and efficient manner.

The Finance and Performance Committee is chaired by Mr Geoff O'Donnell and comprises of three other members, including:-

- Dr William Pratt, Board member,
- Mr Paul Knight, Board member, and
- Dr Stephen Andersen OAM, Board member.

The Chief Executive or her representative attends all meetings of the Finance and Performance Committee.

The Committee met nine times during this period.

The Finance and Performance Committee receives monthly reports that include:

- Financial performance of each major cost centre
- Liquidity management and performance
- The position of Special Purpose and Trust Funds
- Activity performance against indicators and targets in the performance agreement for the organisation
- Advice on the achievement of strategic priorities identified in the performance agreement for the organisation
- Year to date and end of year projections on capital works and private sector initiatives.

Letters to management from the Auditor-General, Minister for Health, and the NSW Ministry of Health relating to significant financial and performance matters are tabled at the Audit and Risk Management Committee and the Board. The Finance and Performance Committee were briefed on the content and process for finalising the Auditor-General's report to management.

Standard 5: MAINTAINING HIGH STANDARDS OF PROFESSIONAL AND ETHICAL CONDUCT

The LHD has adopted the NSW Health Code of Conduct to guide all staff and contractors in professional conduct and ethical behaviour.

The Code of Conduct is distributed to, and signed by, all new staff and is included on the agenda of all staff induction programs. The Board has systems and processes in place to ensure the Code is periodically reinforced for all existing staff.

The Board and the Chief Executive lead by example in order to ensure an ethical and professional culture is embedded within the Organisation. Ethics education is also part of the organisation's learning and development strategy.

The Chief Executive, as the Principal Officer for the Organisation, has reported all known cases of corrupt conduct, where there is a reasonable suspicion that corrupt conduct may have occurred, to the Independent Commission Against Corruption, and has provided a copy of those reports to the Ministry of Health.

For the period the Organisation reported eleven cases of corrupt conduct. This includes, for the first time this financial year, cases of suspected unauthorised access to medical records.

Policies and procedures are in place to facilitate the reporting and management of public interest disclosures within the organisation in accordance with state policy and legislation, including establishing reporting channels and evaluating the management of disclosures.

For the period the Organisation reported receiving ten public interest disclosures.

Standard 6: INVOLVING STAKEHOLDERS IN DECISIONS THAT AFFECT THEM

The Board seeks the views of local providers and the local community on LHD plans and initiatives for providing health services and also provides advice to the community and local providers with information about the LHD plans, policies and initiatives.

A Community Participation Council has been established to enhance engagement with community stakeholders representing our key client groups.

Processes have been implemented to better engage with and respond to the identified needs of our consumers such as the Patient Journey programme, Patient Experience Survey and Diversity Health programme.

Information on the key policies, plans and initiatives of the Organisation and information on how to participate in their development are available to staff and to the public at http://www.islhd.health.nsw.gov.au.

Standard 7: ESTABLISHING SOUND AUDIT AND RISK MANAGEMENT PRACTICES

Role of the Board in relation to audit and risk management

The Board supervises and monitors risk management by the Organisation and its facilities and units, including the organisation's system of internal control. The Chief Executive develops and operates the risk management processes for the organisation.

The Board, through the Audit and Risk Management Committee, receives and considers reports of the External and Internal Auditors for the Organisation.

The Chief Executive ensures that audit recommendations and recommendations from related external review bodies are implemented. The Board, through the Audit and Risk Management Committee, monitors the implementation of these recommendations.

The organisation has a current Risk Management Plan encompassing both clinical and non-clinical risks. The Plan covers all known risk areas including:

- Leadership and management.
- Clinical care and patient safety.
- Health of population.
- Finance.
- Fraud prevention.
- Communication and Information Management.
- Workforce.
- Security and safety.
- Facilities and asset management.
- Emergency and disaster planning.
- Community expectations.
- Environmental.
- Legal.

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee, with the following core responsibilities:

- to assess and enhance the organisation's corporate governance, including its systems of internal control, ethical conduct and probity, risk management, management information and internal audit
- to ensure that appropriate procedures and controls are implemented by management to provide reliability in the Organisation's financial reporting, safeguarding of assets, and compliance with the Organisation's responsibilities, regulatory requirements, policies and procedures

- to oversee and enhance the quality and effectiveness of the Organisation's internal audit function, providing a structured reporting line for the Internal Auditor and facilitating the maintenance of their independence
- through the internal audit function, to assist the Board to deliver the Organisation's outputs efficiently, effectively and economically, so as to obtain best value for money and to optimise organisational performance in terms of quality, quantity and timeliness
- to maintain a strong and candid relationship with external auditors, facilitating to the extent practicable, an integrated internal/external audit process that optimises benefits to the organisation.
- to maintain a current Charter outlining its roles and responsibilities to the Organisation.

The above core responsibilities are embedded in the Audit and Risk Management Committee's Charter.

The Audit and Risk Management Committee met six times during the financial year.

The Audit and Risk Management Committee reviews the monthly narrative financial reports submitted to the Finance and Performance Committee and provides advice to the Chief Executive with respect to the Annual Financial Statements which are also submitted to the Finance and Performance Committee.

The Chairperson of the Committee has right of access to the Chair of the Board and to the Secretary, NSW Health, where necessary.

Qualifications to the governance attestation statement

Qualification

Section 4: Monitoring Financial and Service Delivery Performance:

The District has exceeded the approved net cost of services allocations for 2016/17 by $2.2 million.

As a result of the above the Board and the Chief Executive are unable to certify that:-

- the Public Health Organisation General Fund has not exceeded the Ministry of Health approved net cost of services allocation.

Progress

The District has reported an unfavourable variance against budget, with a key driver of this variance being the additional activity undertaken above the activity allocated in the funding budget. The District has developed a number of strategies to align financial performance with budget expectations.

Remedial Action

The District has established:-

- a project to support a culture of accountability whereby 90 day plans will be developed to operationalise the District's strategic plan. One key aspect of the strategic plan is to ensure efficient, effective and sustainable financial operations; and
- a Program Management Office to assist in progressing a number of financial saving strategy projects, which have already shown some improvements in the workforce, procurement and revenue areas.

[Signed – Chief Executive]

[Signed – Chief Audit Executive]